

# CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Fidelity Federal Bancorp, thrift holding company for United Fidelity Bank, fsb

Point of Contact:	Donald R. Neel	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	826	Docket Number: (For Thrift Holding Companies)	H-2204
CPP/CDCI Funds Received:	6,657,000	FDIC Certificate Number: (For Depository Institutions)	29566
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	November 13, 2009	City:	Evansville
Date Repaid <sup>1</sup> :	N/A	State:	Indiana

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

With the additional funding provided by CPP capital, United Fidelity Bank gained the ability to support existing lending to its customers. Without these funds, United Fidelity Bank may have been forced to end these relationships by reducing lending.

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☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

United Fidelity Bank has been able to increase its overall volume of residential mortgage loans over the period since receipt of CPP capital.

☒ **Increase securities purchased (ABS, MBS, etc.).**

The holding company, Fidelity Federal Bancorp, and United Fidelity Bank were able to purchase GNMA, FNMA, and FHLMC mortgage backed securities, which are stable and secure assets that generate income for both institutions.

☐ **Make other investments.**

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☐ Increase reserves for non-performing assets.

☒ Reduce borrowings.

The holding company, Fidelity Federal Bancorp, and United Fidelity Bank were able to reduce borrowings and decrease interest expense. This reduction will allow the institutions to increase profitability and support their customers.

☐ Increase charge-offs.

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☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

In addition to lending activities supported, United Fidelity Bank's capital ratios are higher as a result of the CPP.

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### What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Without the capital infusion, United Fidelity Bank would have been forced to continue the reduction of its balance sheet in order to provide a cushion to capitalization limits. As previously stated, with these funds, the bank is able to maintain lending and support its current client base.

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### **What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?**

With the capital infusion, the holding company, Fidelity Federal Bancorp, and United Fidelity Bank were able to purchase GNMA, FNMA and FHLMC mortgages backed securities, which are stable and secure assets that generate income for both institutions. In addition, United Fidelity Bank was able to increase its overall volume of residential mortgage loans. Both of these actions contributed to balance sheet growth, which would not have been possible without the capital infusion.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.